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Grain and Feed

Grain and Feed Annual Report

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Report Highlights:

Wheat exports in 2007/08 are below anticipated level due to drought and limited purchase from the local crop. Egypt and Jordan are the major destinations for Syrian wheat. Barley imports are forecast to grow, but not to the same extent as corn imports. Corn imports are expected to continue growing, and are forecast to exceed 2 million tons in 2008/09. The U.S. is expected to remain the dominant corn supplier. Rice imports are forecast to grow only modestly, in line with demand growth as a result of expanding population.

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Includes Trade Matrix: Yes
Annual Report
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Executive Summary

Wheat

Wheat production in 2007/08 is estimated at 4.0 million tons, down compared to the previous year due to a shortage of rain during the growing season. It is still early to give a good forecast for 2008/09 crop that could range from 4.0 - 4.8 million tons depending on rainfall amount and distribution. Consumption is growing due to the increase in population as well as the presence of about 1.5 million Iraqis in Syria. Exports are limited to previously contracted quantities to Egypt and Jordan plus an additional quantity to Yemen. In 2008/09, with consecutive years of drought-reduced crops, exports are forecast to drop significantly. Imports remain relatively stable at about 200,000 tons per year. While HOBBOB targets to maintain a one-year consumption requirement to eliminate the need for imports in case of a bad crop year, stocks will be drawn down below previous years' levels due to anticipated smaller purchases from the local crop resulting from increasing international wheat and feed grains prices.

Barley

Barley production is forecast to remain relatively stable, but imports are forecast to grow as the dry weather is expected to limit domestic fodder supplies, prompting increased barley imports.

Corn

Corn is the most important feed commodity, and demand for it is increasing. With insignificant local production and continued growth in demand, particularly from the poultry industry, corn imports are forecast to exceed 2 million tons in 2007/08. The U.S. is expected to be the major supplier of corn to Syria.

Rice

Rice consumption is increasing moderately in line with population growth, and imports are forecast to grow to exceed 300,000 tons in 2008. As is traditionally the case, most of the rice imports will be sourced from Egypt.

Wheat

PSD Table Syria Wheat							
	2006	Revised	2007	Estimate	2008	Forecast	UOM
	USDA Official	Post Estimate [New]	USDA Official	Post Estimate[New]	USDA Official	Post Estimate [New]	
Market Year Begin		07/2006		07/2007		07/2008	MM/YYYY
Area Harvested	1700	1700	1700	1700	0	1700	(1000 HA)
Beginning Stocks	5483	5483	4033	4033	2933	2733	(1000 MT)
Production	4200	4200	4000	4000	0	4000	(1000 MT)
MY Imports	200	200	200	200	0	200	(1000 MT)
TY Imports	200	200	200	200	0	200	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
Total Supply	9883	9883	8233	8233	2933	6933	(1000 MT)
MY Exports	1500	1500	800	800	0	200	(1000 MT)
TY Exports	1500	1500	800	800	0	200	(1000 MT)
Feed Consumption	300	300	300	300	0	300	(1000 MT)
FSI Consumption	4050	4050	4200	4400	0	4600	(1000 MT)
Total Consumption	4350	4350	4500	4700	0	4900	
Ending Stocks	4033	4033	2933	2733	0	1833	(1000 MT)
Total Distribution	9883	9883	8233	8233	0	6933	(1000 MT)

Wheat production in 2007/08 is estimated at 4.0 million tons, down compared to the previous year due to a shortage of rain during the growing season. Area is relatively constant at 1.7 million hectares. The General Establishment for Cereal Processing and Trade (HOBBOB) bought about 1,550,000 tons of the 2007/08 crop. For the 2008/09 crop, rains through January 2008 were below average, but better than the previous season's level. Rainfall during the critical grain filling stage of March-May, and weather conditions during the latter part of the growing season, will be key determinants of the final size of the crop. Based on similar rainfall patterns, output for 2008/09 is forecast to be 4.0 million tons.

Consumption

Consumption has grown more than the 2.5 percent increase in population, due to the presence of 1.5 million Iraqis in Syria. With feed prices going up and barley prices similar to wheat prices in the local market, some increase in demand for wheat to replace some other grains in the feed ration is expected, and so is the use of subsidized bread for feed since subsidized bread is much cheaper than all feed ingredients. Wheat is mainly used for milling into flour for bread production. Smaller quantities are used for bulgur production, and lower quality wheat is used for animal feeding. Approximately 250,000 tons of wheat are expected to be used for planting next season's crop. Bread consumption is increasing due to the increase in population as well as the increase in prices of other food items. Available milling capacity greatly exceeds the milling requirement for the country.

Trade

Export Trade Matrix* Syria Wheat			
Time Period	CY	Units	1000 MT
Exports for	2006		2007
U.S.	0	U.S.	0
Others		Others	
Egypt	446	Egypt	400
Italy	554	Jordan	50
Jordan	293	Yemen	50
Tunisia	71		
Iraq	39		
Total for Others	1403		500
Others not Listed	47		
Grand Total	1450		500

Import Trade Matrix Syria Wheat			
Time Period	CY	Units	1000 MT
Imports for:	2006		2007
U.S.	0	U.S.	0
Others		Others	
Ukraine	102	Ukraine	125
Russia	37	Russia	50
Bulgaria	6		
Turkey	5		
Total for Others	150		175
Others not Listed			25
Grand Total	150		200

*Trade data are published on a calendar year basis. Thus, trade matrix tables in this report are based on calendar year basis.

Exports are forecast to be limited to relatively small quantities to Egypt and Jordan.

Imports remain relatively stable at about 200,000 tons per year. Most imports are from Eastern Europe due to the relatively cheaper wheat prices compared to local wheat prices. No U.S. wheat is expected to be imported as landed prices tend to favor sourcing from Eastern Europe and the Black Sea Region. Syria also imports limited quantities of flour, mainly from Turkey. Detailed

trade data for 2007 are not yet available. Wheat flour is exported on limited scale by the private sector to neighboring countries.

Stocks

Most wheat stocks are held by HOBOOB, which seeks to keep stocks (as a national reserve) at levels exceeding Syria's annual milling requirement. The private sector maintains some stocks for its use and for seeding the next crop. While HOBOOB targets to maintain a one-year consumption requirement to eliminate the need for imports in case of a bad crop year, stocks continue to decline due to low purchases from the local crop. Stocks kept by HOBOOB are stored in concrete silos, metal silos, as well as in open storage facilities. The private sector has some silos, but are mainly used for the storage of imported corn.

Policy

HOBOOB's role as the main buyer of locally produced wheat and the only exporter of wheat for the last three decades may change, unless the government doubles procurement prices for locally produced wheat, taking into consideration the international increase in wheat prices. However, such a decision seems far beyond expectations because it would be very costly and extremely difficult to reduce the procurement price again when/if international wheat prices decline. As a result, the private sector may take the lead in wheat marketing for the first time in four decades of government monopoly. Banning transportation of wheat between provinces may limit this phenomenon, but will not be able to stop it.

Customs duties on wheat imports are one percent. Syria will continue to rely on local wheat production and export any surplus after ensuring a national reserve. Permitting imports of wheat and flour for further processing is expected to continue in the future, albeit at a limited level. Syria plans to expand its concrete silo storage capacity by about 1 million metric tons during the coming five years. Concrete silos are owned and managed by the General Company for Silos, under the Ministry of Economy and Trade and are mainly used for storing wheat. The private sector has been permitted to establish silos. These silos will be used for storing imported grains, mainly corn, barley, and soybeans.

Marketing

Syria is self-sufficient in wheat production. Wheat and wheat flour imports by the private sector will be limited to relatively small quantities for pasta or for milling. Most of the imports come from nearby sources due to relatively cheap prices and low freight cost.

Barley

PSD Table Syria Barley (1000 MT)						
	2006	Revised	2007	Estimate	2008	Forecast
	USDA Official	Post Estimate [New]	USDA Official	Post Estimate [New]	USDA Official	Post Estimate [New]
Market Year Begin		07/2006		07/2007		07/2008
Area Harvested	1000	1000	1000	1000	0	1000
Beginning Stocks	272	272	72	72	72	122
Production	700	700	700	700	0	700
MY Imports	300	300	300	500	0	700
TY Imports	300	300	300	500	0	700
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1272	1272	1072	1272	72	1522
MY Exports	50	50	50	0	0	0
TY Exports	50	50	50	0	0	0
Feed Consumption	900	900	700	900	0	1100
FSI Consumption	250	250	250	250	0	250
Total Consumption	1150	1150	950	1150	0	1350
Ending Stocks	72	72	72	122	0	172
Total Distribution	1272	1272	1072	1272	0	1522

The 2007/08 barley crop is estimated at approximately 700,000 tons. Planted area was reported at 1.3 million hectares. However, the drought that hit the crop in spring of 2007 reduced the crop, and some planted areas were abandoned for grazing. Barley production area is almost exclusively rain fed. Government entities did not purchase any significant quantity from the 2007/08 crop, due to the relatively small crop and to the low price offered by the General Organization for Fodder as compared to prevailing local market prices ranging from 12 SP/KG (USD 240/MT) of Ukrainian white barley to 14 SP/KG (280 USD/MT) of local black barley at harvest time. Barley prices in the Syrian market have hit a record of 21 SP/KG (USD 438/MT), exceeding sometimes the price of wheat. From rainfall levels prevailing through January 2008, the 2008/09 crop is not forecast to increase significantly. Crop size will actually be determined by rainfall amount and distribution in March and April.

Consumption

In Syria, most barley is used for feeding sheep. The demand fluctuates from year to year depending on the availability of grass for sheep grazing. Demand increases during drought periods and during the winter months due to the lack of grass at that time. Syria normally requires about 1.5 million tons of barley per year for feed use and for planting next year's crop. Some of the barley requirements may be replaced by cheaper corn.

Trade

Import Trade Matrix Syria Barley			
Time Period	CY	Units	1000 MT
Imports for	2006		2007
U.S.	0	U.S.	0
Others		Others	
Ukraine	170	Ukraine	200
Turkey	170	Russia	200
Russia	37		
Hungary	13		
Bulgaria	5		
Romania	2		
Total for Others	397		400
Others not Listed	18		100
Grand Total	415		500

Imports in 2007/08 are forecast to exceed 700,000 tons as the dry conditions continue to erode the quality of grazing areas and sheep numbers increase. However, very high international barley prices may limit imports. Most imports are expected to continue to be sourced mainly from Eastern Europe due to lower prices in these countries and relatively low freight cost. No barley exports are expected.

Stocks

Beginning in 2005, the General Organization for Fodder (GOF) was granted responsibility for maintaining barely stocks. Since GOF was unable to buy any significant quantity of barley from the local crop, GOF is reportedly buying relatively small quantities of imported barley from traders to make up for the quantities that used to be purchased in the past from the local crop. The bulk of the stocks are now maintained by the private sector.

Marketing

Syrian importers rely on Eastern European sources for barley, mainly Ukraine, Russia, and Turkey. This is mainly due to the competitive landed prices as well as these sources' ability to ship small quantities (about 5,000 MT per shipment). Price considerations and freight cost have prevented Syrian importers from importing barley from the United States.

Corn

PSD Table Syria Corn							
	2006	Revised	2007	Estimate	2008	Forecast	UOM
	USDA Official	Post Estimate [New]	USDA Official	Post Estimate [New]	USDA Official	Post Estimate [New]	
Market Year Begin		07/2006		07/2007		07/2008	MM/YYYY
Area Harvested	50	50	50	50	0	50	(1000 HA)
Beginning Stocks	208	208	233	233	208	208	(1000 MT)
Production	125	125	125	125	0	100	(1000 MT)
MY Imports	1700	1700	2000	2000	0	2500	(1000 MT)
TY Imports	1700	1700	2000	2000	0	2500	(1000 MT)
TY Imp. from U.S.	1636	1636	0	1500	0	2200	(1000 MT)
Total Supply	2033	2033	2358	2358	208	2808	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	(1000 MT)
Feed Consumption	1400	1400	1700	1700	0	2000	(1000 MT)
FSI Consumption	400	400	450	450	0	450	
Total Consumption	1800	1800	2150	2150	0	2450	(1000 MT)
Ending Stocks	233	233	208	208	0	358	(1000 MT)
Total Distribution	2033	2033	2358	2358	0	2808	(1000 MT)

Corn area and production are estimated at 50,000 HA and 125,000 tons, respectively. Most of the planted corn is hybrid short-season corn planted after wheat in irrigated areas. Locally harvested corn has high moisture content, sometimes approaching 30 percent, so it has to be dried to bring the moisture content down to 14 percent before the corn can be stored. The procurement price for 14 percent moisture corn has been increased but is still way below international corn prices. Imported corn is selling now for about 16.50 Syrian pounds/KG (USD 344 per metric ton) in the local market. GOF purchased negligible quantities of corn from the local crop in 2007/2008. The 2008/2009 crop is forecast at 100,000 MT due to expected irrigation water shortage in corn planted areas and the use of planted corn plants as green fodder. However, the size of the local crop is insignificant, a few percent of the total requirement for corn that is increasing significantly.

Consumption

A small portion of the local crop is used for human consumption and is sold as "corn on the cob". Corn is also used for the production of starch or sown as seed. Most corn, however, is used for animal feed, in particular for poultry. Poultry production is increasing in general. However, it fluctuates from season to season due to the lack of proper slaughter, cooling, packaging, and storage facilities. Consumption of corn is increasing in Syria, which requires over 1.2 million metric tons per year for the poultry sector. The starch and glucose industry requires an additional quantity of 400,000 – 500,000 MT per year. The small barley crop and high barley prices put additional pressure on corn as a cheaper substitute to barley for ruminant animals.

Below average rainfall through January 2008 and expected record exports of sheep to Saudi Arabia and other Gulf countries will create additional demand for corn. Thus corn demand is forecast to grow to a new record in 2008/09 to about 2.5 million tons.

Trade

Import Trade Matrix Syria Corn			
Time Period	CY	Units:	1000 MT
Imports for	2006		2007
U.S.	1018	U.S.	2000
Others		Others	
Ukraine	111	Argentina	50
Turkey	94		
Bulgaria	53		
Brazil	26		
EEC	21		
Argentina	17		
Romania	5		
Total for Others	492		50
Others not Listed	0		350
Grand Total	1474		2400

After reaching a record level in 2006/07, imports are forecast to reach another record exceeding 2.0 million tons in 2007/08, mainly from the United States. Several factors, some noted above, are boosting prospects for corn imports: 1) Growth in the poultry industry; 2) Competitive corn prices relative to barley; 3) Potential to export pelleted feed to Iraq; 4) Limited water resources that hinder expansion in domestic production; 5) Continued dry weather limiting supplies of domestically produced feeds and fodder; 6) The use of corn planted fields for grazing due to high feed cost; and 7) The private sector has established grain silos to store imported corn, adding flexibility and reducing storage and handling costs.

The United States is the major supplier of corn. Argentina and to some extent Eastern Europe are smaller suppliers. Brazil is selling limited quantities of corn. With competitive corn prices in the United States, importers prefer to buy corn from the United States. U.S. market share is forecast to be about 70-80 percent in 2007/08. The General Organization for Fodder has recently contracted to import 100,000 MT of white corn from Sudan. This quantity is supposed to be delivered in 2008.

Customs duties on corn imports are set at one percent. An import permit from the Ministry of Economy and Trade is required. This is obtained after the approval of the Ministry of Agriculture and Agrarian Reform.

Stocks

The public sector keeps relatively small quantities of corn for its use in public sector poultry and

dairy farms. However, the private trade usually keeps quantities for two months for feed and as a raw material for the starch and glucose industry. A stock level of 300,000 - 400,000 tons would be sufficient to provide for the consumption requirement of about two months.

Rice

PSD Table Syria Rice, Milled							
	2006	Revised	2007	Estimate	2008	Forecast	UOM
	USDA Official	Post Estimate [New]	USDA Official	Post Estimate [New]	USDA Official	Post Estimate [New]	
Market Year Begin		01/2007		01/2008		01/2009	MM/YYYY
Area Harvested	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	0	115	0	125	0	140	(1000 MT)
Milled Production	0	0	0	0	0	0	(1000 MT)
Rough Production	0	0	0	0	0	0	(1000 MT)
Milling Rate (.9999)	0	0	0	0	0	0	(1000 MT)
MY Imports	250	285	285	300	0	300	(1000 MT)
TY Imports	250	285	285	300	0	300	(1000 MT)
TY Imports from U.S.	0	1	0	1	0	1	(1000 MT)
Total Supply	250	400	285	425	0	440	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	(1000 MT)
Total Consumption	250	275	285	285	0	300	(1000 MT)
Ending Stocks	0	125	0	140	0	140	(1000 MT)
Total Distribution	250	400	285	425	0	440	(1000 MT)

Production

Rice is not produced in Syria. All of the country's requirements are met through imports.

Consumption

In Syria, rice consumption is estimated to be increasing due to the increase in population and the presence of 1.5 million Iraqis in Syria. Each Syrian is entitled to 0.75 kilogram of rice per month at 10 SP (19 cents) per kilogram under the GOS ration card system. Most of the government imported Egyptian rice is sold through the ration card system at about 25 percent of its current price in the free market. This creates additional demand for rice since it makes it cheaper than bulgur, its main grain competitor in Arab recipes.

Trade

Import Trade Matrix Syria Rice, Milled			
Time Period	CY	Units	1000 MT
Imports for:	2006		2007
U.S.	1	U.S.	1
Others		Others	
Egypt	227	Egypt	230
Thailand	5	Thailand	10
Australia	5	Australia	5
India	7	Pakistan	5
Spain	4	Spain	3
China	4		
Pakistan	5		
Total for Others	257		253
Others not Listed	3		47
Grand Total	261		300

As with consumption, imports are forecast to grow, taking into consideration the increase in population and the presence of 1.5 million Iraqis. Since Syria does not plan to produce rice in the future, all rice requirements will be imported. Egyptian rice constituted 87 percent of imports. Syria barter wheat for Egyptian rice. Thailand, Australia, Italy, Pakistan, Spain, and the United States also supply minor quantities. The situation may change in 2008 if Egypt imposes any export restrictions on rice or if the barter agreement is not extended due to the lack of exportable surplus of wheat in Syria.

Marketing

Syrian consumers generally prefer medium grain rice from the United States, Australia, Italy, and Egypt to long grain rice from Thailand. However, the limited purchasing power of the average Syrian influences the decision to seek out cheaper sources of rice. As a result, higher quality rice, such as parboiled rice, has a very limited market in Syria.

With rice prices more attractive from Egypt whose rice is similar in characteristics to the American medium grain rice, importers choose Egyptian supplies. In late 2006, the Syrian government agreed to barter 700,000 tons of Syrian wheat for 150,000 tons of Egyptian rice. Another reason for the choice of Egyptian rice is the low freight cost and the ability to ship very small quantities, sometimes 40-100 tons of rice per shipment, in a very short time, and at a much cheaper cost than from other origins.